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RUEHLP/AMEMBASSY LA PAZ JUL 9945
RUEHPE/AMEMBASSY LIMA PRIORITY 0762
RUEHGL/AMCONSUL GUAYAQUIL PRIORITY 0805
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SUBJECT: NEW MINGOV NAMED

REF: QUITO 1669

¶1. Summary: As part of an ongoing cabinet reshuffle on July 11, President Palacio replaced Minister of Government Felipe Vega with Antonio Andretta and Minister of Public Works Derlis Palacios with Pedro Lopez Torres. While Vega, Palacio's fifth Minister of Government, has been linked to charges of corruption, there is no clear explanation for the dismissal of the low-profile Palacios, who has been with the administration since the beginning. Secretary of Communication Enrique Proano announced that these appointments would conclude cabinet restructuring. Only four of Palacio's original fifteen cabinet members remain. End Summary.

Vega and Palacios Replaced

¶2. On the evening of July 6, six months before the end of his term, President Palacio called for resignation letters from his cabinet (reftel Quito 1669). Minister of Government Felipe Vega stated publicly on July 10 that he would resign. Palacio accepted the resignations of Vega and Minister of Public Works Derlis Palacios, both from the city of Cuenca, and on July 11 named Antonio Andretta as Minister of Government and Pedro Lopez Torres as Minister of Public Works. Both Andretta and Lopez have held the same posts in the past, Andretta under the Noboa presidency (2000-2003) and Lopez under the Duran Ballen presidency (1992-1996). Some consider Andretta as part of the "old guard," which suggests that he was nominated to avoid political contention.

¶3. Vega told press on July 7 that some wanted him removed for trying to address narcotrafficking, organized crime, and police corruption. Insiders claim the real issue was that Vega had become a liability after public charges that he was demanding kickbacks from the Guayaquil police chief. Vega publicly denied charges of corruption and attributed his surprise exit to "political change." He claimed that his resignation was a personal decision that marks the completion of "a cycle in this government" and that he himself suggested cleaning out the cabinet last week. Vega was in office for four months -- longer than any of the previous four who held this thankless job during Palacio's erratic tenure.

Explanations for Departure

¶4. Press reports suggest the upheaval of the cabinet was to raise public opinion of the President and reflected Palacio's discontent with the confused and chaotic application of the April Hydrocarbons Law. Secretary of Communication Enrique Proano said that the President "never agreed" with the June

29 regulatory implementation of the law and that the Ministers would be working on creating new regulations.

¶15. Proano insisted that the cabinet reshuffling was necessary to intensify government work in "key areas," and that the new cabinet will target the "social debt" during Palacio's last six months in office. Oil and budget issues are expected to be key in the coming months. Secretary of Communication Enrique Proano claims that oil revenues will be used responsibly to address poverty and that social problems "could not have been attended to before because of the overstretched budget."

Biographical Information: Andretta

¶16. Antonio Andretta Arizaga, the half-brother of former president of Congress Juan Jose Pons, was born in Guayaquil on September 11, 1944. He received an undergraduate degree in Political Science and a law degree at Catholic University of Santiago in Guayaquil. His previous positions include Minister of the Interior of Guayas and Guayas Police Intendant (1972-1975) before he became Director of the Guayaquil Chamber of Commerce from 1969-1972 and 1980-1983. He served as Governor of Guayas and Head of the Administrative Development Secretariat (SENDA) under the Duran Ballen presidency. From 1998-2000 he directed COPEFEN (Coordinating Unit of the Emergency Program for El Nino Phenomenon) before serving as President of the National Transportation Council in 2003.

Biographical Information: Lopez

¶17. Pedro Lopez Torres was born on December 7, 1929, in Quito. He graduated as a civil engineer from Central University in Quito and has extensive experience in construction and civil engineering. From 1972-1974 he served as a Quito councilman and from 1974-1976 he was president of the Commission of Public Works for the municipality of Quito. Lopez served as Minister of Public Works from 1992-1996, and was active in all three of Duran Ballen's presidential campaigns. He has also been a professor at the engineering school at Central University and vice-president of the civil engineering high school in Pichincha.

Comment

¶18. The resignations of Vega and Palacios appear to mark the end of the current cabinet shake up. The appointments of low profile officials Andretta and Lopez reflect Palacio's desire for a smooth transition out of office.

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